

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF THE UNION)	CASE NO. 90-041-A
LIGHT, HEAT AND POWER COMPANY)	

O R D E R

On January 3, 1991, a hearing was held in the instant case in order to determine the reasonableness of the proposal of The Union Light, Heat and Power Company ("ULH&P") to recover its Gas Inventory Charges ("GICs") through its Gas Cost Adjustment ("GCA") mechanism. ULH&P presented testimony in support of the appropriateness of the recovery of GICs as purchased gas costs and of its own proposed recovery methodology within the GCA filing.

After considering the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. ULH&P's argument that GICs are a prudently incurred cost of procuring gas is persuasive, so long as ULH&P is able to make a showing that the incurrence of GICs results in a lower overall cost of gas to ratepayers.

2. ULH&P's proposed inclusion of GICs in the Actual Adjustment ("AA") component of its rates is reasonable, but should be reserved for filings when such costs for the preceding period are known and measurable. Such inclusion in the instant case

should therefore be denied, with GIC billings received in December 1990 to be included in the AA component of rates to be effective March 1, 1991.

3. In future filings for recovery of GICs in the AA, ULH&P should provide a copy of GIC charges from Columbia Gas Transmission. It should also provide a comparison between actual cost of gas, including GICs, and what the cost of gas would have been if ULH&P had not been deficient in its purchases.

4. In its pre-filed testimony, ULH&P requested that, if the Commission determines that GICs should simply flow through the AA as opposed to approving ULH&P's proposed advance recovery, it be allowed to include carrying charges to compensate for the protracted period. The inclusion of costs in rates only when they are known and measurable is a standard regulatory practice, and it is not unreasonable or punitive to require ULH&P to abide by this standard. ULH&P's request should, therefore, be denied.

IT IS THEREFORE ORDERED that:


1. The rates contained in the Appendix to the Interim Order in the instant case dated November 30, 1990 be and they hereby are given final approval effective with the date of this Order.


2. The proposed recovery of GICs in the AA of the instant case is hereby denied.


3. ULH&P's recovery of GIC costs through the GCA mechanism be and it hereby is approved and shall be accomplished as set out herein.

Done at Frankfort, Kentucky, this 28th day of January, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director